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SMALL-SCALE INDUSTRY IN TRINIDAD AND TOBAGO

Presented by

Industrial Development Corporation

INDUSTRIAL DEVELOPMENT CORPORATION

Small-Scale Industry in Trinidad and Tobago

Recent trends in the development of Small-Scale Industry

1. It is difficult to provide statistical information on the changes that have taken place in the composition of industry in Trinidad and Tobago during the last decade. Industrial censuses were made during the years 1953, 1957 and 1963. The data collected in the last census has not yet been published. This is unfortunate as the period between 1957 and 1963 is considered to have been one of dynamic industrial development: coinciding, as it did, with the establishment of the Industrial Development Corporation in 1959.

2. There is no legal definition of a "small-scale establishment" in Trinidad and Tobago, nor has it been considered to be necessary, up to the present, to have any criteria by which the eligibility of an undertaking may be assessed in relation to the provision of assistance. The benefits available under the "Aid to Pioneer Industries Ordinance" are limited to operations conducted on a "factory scale", and so, by implication, is the relief from import duties permitted by an amendment to the "Customs Ordinance". In both instruments the term "factory scale" is liberally interpreted.

3. If a small-scale establishment is taken as one in which less than 50 persons are employed, then the number of small-scale undertakings increased from 403 to 407 between 1953 and 1957. The increase was confined to the employment group 25 - 49 workers which rose by 33 per cent. Both the 5 - 9 and 10 - 24 worker groups fell by 2.7 per cent and 9.2 per cent respectively. The relative position of the sector deteriorated over the period; falling from 75 per cent to 71 per cent of the total establishments employing five, or more persons. The number of persons employed by small-scale undertakings increased from 5,158 in 1953 to 6,710 in 1957. In tables 1 and 2 a comparison between various industrial parametres in 1953 and 1957 is made.

/Table 1

Table 1

Size groups numbers engaged	Number of establishments		Gross output (Dollars)		Added value (Dollars)		Added value per person		Percentage of total establishments employing 5 or more persons		
	1953	1957	1953	1957	1953	1957	1953	1957	1953	1957	
5-9	150	146	3 103	3 709	1 490	1 494	1 562	1 500	27.9	25.4	
10-24	184	169	8 223	17 792	3 251	10 079	1 167	3 866	34.3	29.4	
25-49	69	92	18 096	24 952	6 606	14 166	2 649	4 562	12.8	16.0	
50-99	54	64	17 160	50 771	8 819	34 246	2 231	7 198	10.2	11.1	
100-249	45	54	35 145	53 047	15 357	29 737	2 899	3 443	8.3	9.4	
250-	35	50	335 065	512 160	188 362	202 423	5 325	6 118	6.5	8.7	
Total	537	575	416 792	662 431	230 335	292 145	4 191	5 495	100.0	100.0	

75% 70.8%

Table 2

Size groups numbers engaged	Total Employment		Percentage Employment		Percentage Gross output		Average size of establishment persons	
	1953	1957	1953	1957	1953	1957	1953	1957
5-9	954	1 000	2.1	1.9	0.74	0.56	6.36	6.85
10-24	2 786	2 610	6.3	4.9	1.97	2.68	15.14	15.5
25-49	2 418	3 100	5.4	5.8	4.34	3.77	35.0	33.7
50-99	3 953	4 940	8.9	9.3	4.12	7.66	73.2	76.7
100-249	6 826	8 630	15.3	16.2	8.43	8.01	152.5	160.0
250-	27 552	32 910	62.0	61.9	80.40	77.32	768.3	65.9
Total	44 489	53 170	100.0	100.0	100.00	100.00	82.8	92.5

/4. It

4. It will be observed that the small-scale sector provided in 1953 and 1957 respectively only 13.8 per cent and 12.6 per cent of the total employment in the manufacturing industries (including the construction echelon), and only 7.05 per cent and 7.01 per cent of the gross output. On account of differences in statistical bases it is difficult to make international comparisons. However, if the small-scale limit is raised to 100 workers, it is possible to show the position in perspective.

5. There is no published information on the annual gross capital expenditure of establishments by employment size groups. However, such data is available on particular industries, and examination of this discloses that the industries that fall within the small-scale sector as a general rule reinvest proportionally less than the larger concerns in the expansion of their businesses.

6. Trinidad and Tobago has long relied on the export of primary products - oil, sugar, cocoa, citrus fruits. It is faced with diminishing oil reserves and in respect of the other products it is a high cost producer. The population, at present about 1,000,000 souls, is increasing at 3 per cent per annum. Employment in the major industry, oil, - is tending to decrease, and the imminent mechanization of the sugar industry will reduce its potential to provide employment. The population pressure makes it essential to find alternative sources of fruitful job opportunities. The answer is to be found, it is believed, in a balanced growth of industry and agriculture. As the national market is small, and the possibilities of exporting local products are not good, the need is to develop industries geared to local markets and the limited exports that are possible. This in very many cases will mean small-scale industries. In its adjustment to the needs and in its ability to employ more persons per unit of investment the importance of the small-scale sector in the economy is very evident.

/Table 3

Table 3

ESTABLISHMENTS EMPLOYING LESS THAN 100 WORKERS

Country	Year	Percentage of establishments	Percentage of employees	Percentage of gross output
Trinidad and Tobago	1957	82.0	21.9	14.67
Sweden	1950	92.7	22.1	-
Federal German Republic	1955	87.5	22.0	19.2
Poland	1956	93.0	25.0	20.0
German Democratic Republic	1956	79.6	16.4	14.6
United States	1939	91.6	29.9	30.6

Source: J. Wloszizowski "Small Industry in Economic Development of Contemporary Countries". The dominant position of the Oil Industry in Trinidad and Tobago undoubtedly distorts the picture, particularly in relation to gross output and employment. As industrialization progresses there is a tendency for the average size of undertakings to grow, as measured by the number of employees. This trend is apparent in Trinidad and Tobago where between 1953 and 1957 the average size increased from 82.8 to 92.5 persons. In a small developing territory one would expect that greater increases in the percentage shares of employment and number of establishments would occur in the small-scale sector. The position of the undertakings in the 5 - 9 employment group appears to be deteriorating. No doubt this may be partially explained by establishments out-growing the classification, but this really begs the question "Why are more small-scale concerns not being formed to take their place?"

/7. Major

7. Major Sector of Small-Scale Industry

From the point of view of number of establishments the most important small-scale industry is the manufacture of wooden furniture and fixtures (including boxes and cases) with 48 plants (1957). This is followed by workshops engaged in the repair of transport equipment (46 establishments). Sawmills are next with 38 units. The baking of bread, cakes and biscuits is carried out in 36 establishments. Wearing apparel, from woven or knitted cotton, was made in 29 factories in 1957 but this number is now believed to be 40. There are some 22 workshops engaged in the repair and manufacture of machinery other than transport equipment. Miscellaneous food products account for 32 plants.

8. In table 4 are listed the principal small-scale industries in order of the value of their gross output.

Table 4 (1957)

Industry	Gross output (Dollars)	Employment	Employment order
Other food products	20 595	1 000	6
Miscellaneous manufacturing	16 821	1 470	3
Manufacture of wearing apparel	7 452	1 081	5
Repair of transport equipment	6 445	2 050	1
Printing and publishing	5 599	1 550	2
Biscuits, cakes and bread	5 286	1 110	4
Wooden furniture and fixtures	3 010	990	7
Repairing machinery	2 736	610	8
Metal products	2 028	360	9

/9. Development

9. Development Plans and Programmes

In order to remedy such problems as low productivity, indifferent management and industrial relations, and lack of modern technology the Government in conjunction with the United Nations has established a "Productivity Centre" with the specific objectives of:

(a) promoting productivity in all forms;

(b) providing training in all aspects of the management of industrial enterprises, as well as of Public Utilities, Transport Services, etc.;

(c) developing advisory and consultant services for industrial and other enterprises;

(d) carrying out research on the practical application of modern management techniques in local conditions and providing up-to-date documentation on modern management practice.

It will be realized that the Productivity Centre is not specially directed towards the small-scale sector. Nor is the Industrial Development Corporation to which the "Centre" is attached geared to deal with the problems of the sector other than as a part of industry per se. The Government has appreciated the necessity of providing special assistance to the small entrepreneur, and with this in view has provided the sum of 200,000 dollars to establish Technical Advisory Services, "In order to assist the small industrialist to improve his efficiency and to expand his business into one of factory-scale operation". It is intended that the service will be provided by members of the staff of the Industrial Development Corporation and by professionals in private business.

10. There is, at present, no legislation designed to assist small-scale industry. The current incentive measures apply to industry of factory-scale. In effect this means that all but the very small establishments may participate. However, the fiscal benefits granted under the Aid to Pioneer Industries Ordinance are available only to manufacturers of "Pioneer Products", and only to such number as Government considers to be appropriate to the fulfilment of the national and export demands.

11. The 'Aid to Pioneer Industries Ordinance' provides for:

/(a) an

(a) an income tax free period from the start of operation of the pioneer manufacture;

(b) accelerated depreciation allowances;

(c) unlimited carry forward of any losses that may be incurred during the income tax free period into subsequent taxable period;

(d) repatriation of capital and profits of foreign investors;

(e) duty free entry of plant, equipment, raw materials and supplies; and

(f) developed industrial sites on liberal terms.

12. Under the amendment to the Customs Ordinance pioneer industries are granted exemption from import duty on imported materials used in the manufacture of the pioneer product, provided such materials are not available from local sources. This privilege is extended to non-pioneer industries at the discretion of the Minister of Industry and Commerce.

13. The Role of Technical Services and Assistance in the Development of Small-Scale Industry

Technical Assistance and Advisory Services

Currently technical assistance is being provided by the Productivity Centre, a Food Technologist on the staff of the Industrial Development Corporation and a U.N. Industrial Engineer. The Productivity Centre, as has been mentioned, does not deal especially with the small-scale sector. Management Seminars for small industrialists have been carried out. The Food Technologist covers all aspects of food processing. Only the U.N. Expert is specifically assigned to small-scale industry.

14. The Government is about to establish a Centre for Industrial Research as part of the University of the West Indies, and has appointed an Advisory Committee to recommend a research programme. The Research Centre will have the following divisions: Agricultural and Chemical Industries, Materials Research, Agricultural Engineering and a Bureau of Standards. Again this will be directed towards industry in general. It is believed, however, that the proposed Technical Advisory Services to be attached to the Industrial Development Corporation will provide the channel whereby the

problems of the small-scale sector can be placed before the organizations able to supply solutions, and the means whereby the results of research can be made available to the sector.

15. Vocational Training

Until recently vocational training was linked with apprentice schemes administered by the Board of Industrial Training. The Government recognized that this system was outmoded, and has made provision for nine new vocational schools. The technical training for employees at middle management level is provided by two technical institutes one in Port of Spain and the other at San Fernando. Technical training to degree standard is available at the University of the West Indies. A school is operated by the Ministry of Labour for the up-grading of adult technicians.

16. Industrial Estates

The Government has vested in the Industrial Development Corporation the title to some 480 acres of land for the purpose of providing industrial sites. Four sites in Trinidad and one in Tobago have been developed. In addition three other areas are in reserve, and one site of 38 acres is in the course of development. Besides this the T'dad Sugar Estates Ltd. is building what amounts to a new town at Tacarigua, (Trincity) between Port of Spain and Arima. This development contains medium and low price housing areas as well as some 300 acres for industry, of which the first phase of 57 acres is nearing completion. In Table 5 some details of these sites are given.

17. The plots on the Corporation's estates are leased for a term of 30 years in the first instance. There is an option in favour of the lessee for the renewal of the lease for a further thirty years at a rent to be determined by the Corporation.

18. The work premises are erected by the lessees in accordance with the requirements of the local authority and the Corporation. In some instances the Corporation has made loans for the purpose of constructing factories on the estates.

/Table 5

Table 5

Sites	Area (Acres)	Number of plots	Area of plots	Rental cents per square feet	Remarks
East Dry River	30	41	0.2-1.8	10	5 plots occupied
Sea Lots	25.5	18	0.5-2	11	3 plots occupied
O'Meara	204	55	0.5-5	3-3.5	11 plots occupied
Plaisance	45	20	0.5-4.5	3	2 plots occupied
Milford (Tobago)	5.5	6	0.5	1	1 plot occupied
Point Fortin	30	31	0.4-1.6	?	Not yet developed
Beetham Highway	104	-	-	-	Not yet developed
Princess Margaret Highway	40	-	-	-	Not yet developed
Diamond Vale	38	19	0.5-4	?	In course of development
Trincity	300	-	-	Free-hold 60 cents per square feet	Privately owned. First place 57 acres in course of development. Six plots occupied

/19. Up

19. Up to the present no factory has been erected in anticipation of demand. The employment per establishment on the estates varies from 14 to over 400 with an average of 76 workers. It is the intention of Government to erect workshed type premises, on the module system at the O'Meara Estate to accommodate smaller undertakings. It is also the intention of Government to provide engineering repair services on the estates when circumstances warrant them.

20. Development Financing for Small-Scale Industry

The typical small-scale undertaking is owned either by an individual or a partnership. In a few cases the number of shareholders may exceed 52 and in this case the organization becomes a Registered Company which may be either a Private or Public Limited Liability Company. Finance is raised in the small-scale sector from the resources of the proprietor(s) supplemented by borrowings from friends and relatives. The commercial banks do not make long-term loans and cannot take up debenture unless the company is of the public limited liability type. The banks do on occasion make medium term loans but seldom to small-scale entrepreneurs. Usually the entrepreneur is unable to provide acceptable collateral. Few commercial lending agencies will accept undeveloped land as security. Where medium term loans have been made to the sector the interest rate is 9 per cent against a prime rate of 7.5 per cent. In principle the banks will provide credit against the hypothetication of inventories, but in the small-scale sector the inventories, in many cases, are too small to be considered. In the small-scale sector capital frequently is raised by mortgaging property, either the entrepreneur's dwelling or workplace. For this purpose it is usually essential to own both the land and the building upon it. This explains to some extent the reluctance on the part of small-scale industrialists to establish themselves on the Corporation's estates.

/21. Sources

21. Sources of Funds

The only other source of finance available at the moment is the Industrial Loans Fund administered by the Industrial Development Corporation. It is, however, the intention of Government to establish an Industrial Development Bank. The Corporation is empowered to make loans not exceeding 250,000 dollars to any one applicant. The rate of interest is between 6.5 per cent and 7.5 per cent per annum and the term for either 5 or 10 years. Repayments of interest and principal are expected to be made every six months after a period of grace of one year. The capital in the fund was originally 981,000 dollars. As of 31 July 1966 loans to the extent of 710,000 dollars have been made to ten recipients. The sum advanced is 60 per cent of the security provided. In the past the assets created by the loan were not included in the collateral. However, a more liberal trend is discernible.

22. The granting of a loan thitherto has not been associated with other forms of assistance. Recently the Corporation has considered it necessary to exercise some supervision over the disbursements made from the loaned funds.

23. There is no published information available on the origin of the capital invested in small-scale undertaking. However, it is possible to arrive at some conclusions. The wholly indigenous business is financed from local sources. Those small-scale undertakings which are associated with foreign firms are usually partially financed from abroad. So far as industry as a whole is concerned some 60 per cent of the capital is imported.

24. The actual reserves for depreciation cannot be accurately determined. In so far as the depreciation allowances permitted by the Inland Revenue Department are concerned an examination of the under-listed industries indicates as a general rule the allowances as a proportion of the net output are less in industries where the average employment is under 50 workers than in industries where the average employment exceed 50 persons.

/Table 6

Table 6

Industry		Depreciation Allowances as Percentage of Net Output
Oil and Asphalt	Over 50 workers	4.2
Sugar and molasses		5.9
Rum and Tobacco		6.3
Aerated Water		14.0
Wearing Apparel	Under 50 workers	4.5
Sawmills		5.5
Furniture		1.0
Printing and publishing		6.9
Metal Products		4.3
Transport Repairing		5.0

In general, in the small-scale sector there appears to be less ploughing back of profits.

25. Pioneer and Assisted Industries

In table 7 are listed the numbers of Pioneer Enterprises. These enterprises, of course, are all of factory-scale and represent a cross-section of industry which includes all but the lowest echelon of the small-scale sector.

/Table 7

Table 7

PIONEER INDUSTRIES

Year	Number of Pioneer Establishments in Operation	Estimated Investment	Estimated Employment
1953	23	-	1 001
1957	41	-	2 261
1961	83	73 270 172	3 605
1962	96	84 252 258	4 515
1963	105	90 031 658	4 849
1964	112	183 225 456	5 606
1965	123	201 656 879	6 031

26. The duty remitted by Government, which in effect is a subsidy to the Pioneer and Assisted Industries, amounted to:

Year	Duty Remitted (Dollars)
1961	2 929 000
1962	4 866 000
1963	9 696 000
1964	7 774 000
1965	12 809 000

27. International Co-operation in the Field of Small-Scale Industry

The Government has secured a loan of 1,280,000 dollars from the Canadian Government for a period of 40 years to be used for the construction of factory premises. A portion of this loan is to be used for the erection of workplaces on the module system.

28. In the field of technical assistance the following United Nations' Projects are operative:

I.L.O. - Trinidad and Tobago Government Productivity Centre
U.N.D.P. - Adviser on uses of Industrial and Agricultural Waste
U.N.D.P. - Small-scale Industries Industrial Engineer
U.N.D.P. - Fellowship (one) in Small-scale Industries tenable at the Research Institute for Management Studies Delft.